



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

Date: June 15, 2000

Item 7 – Conditional Approval of Financial Assurances in the Amount of \$51,211 for Sha-Neva Plant #2 (CA Mine ID # 91-29-0005)

BACKGROUND: The State Mining and Geology Board (SMGB) currently is the acting lead agency for surface mines (two mines) within the jurisdiction of the Town of Truckee. The Town does not possess a SMGB-certified surface mining ordinance in accordance with the requirements of the Surface Mining and Reclamation Act of 1975 (SMARA). Since 1998, the SMGB has been conducting the annual surface mine inspections of the site as required under SMARA § 2774.

Following the November 1999 annual inspection, the SMGB requested in December 1999 that the operator provide a revised financial assurance cost estimate for the Plant #2 site because the last review of the financial assurance occurred in 1993. The amount of financial assurance in place was \$49,734. This amount was determined prior to impacts from changes in the mining operations described in the amended reclamation plan that was approved in 1992, prior to results from revegetation test plot studies becoming available, and prior to the (expected) 1997 review meeting required in the Conditions of Approval.

Sha-Neva, Inc. responded in mid-February 2000 with a proposed revised amount of \$51,211. The operator noted that it has been conducting revegetation studies since 1990, and that the area should revegetate naturally. Accordingly, Sha-Neva elected to show no costs in its estimate for revegetation and relied on the "natural revegetation" approach. However, Condition #5 of the reclamation plan approval indicates that it is the lead agency, not the operator, that ultimately will select the method of revegetation.

In addition to the revegetation issue, a review of the reclamation plan indicates that some other issues may need to be included in the financial assurance cost estimate. Specifically, the cost estimate indicates that the pit walls will be graded to overall final slopes of 1.5:1 (horizontal to vertical) using a D9 dozer equipped with a ripper to grade approximately 160,000 cubic yards of material. According to the reclamation plan the south, east and west pit slopes are to be reclaimed using a benched configuration, with 10 feet wide benches being placed at 30 feet vertical intervals for an overall slope of 1.5:1. The northern end of the pit is to be reclaimed to a

final slope of 3.5:1. It appears that the estimate may not account for the cost of constructing benches on the south, east and west pit slopes. In addition, it is unclear if the grading work is needed on the north end of the pit to establish a 3.5:1 slope. Finally, the estimate should clarify if the cinder material's swell characteristics (~15%) were factored into the estimated volume of material to be graded.

The reclamation plan indicates that salvaged topsoil will be placed on the pit wall benches and that an erosion control seed mix will be applied to those disturbed areas. The cost estimate does not reflect any costs for these activities.

The reclamation plan map indicates that all structures and equipment will be removed from the property. From the reclamation plan and site inspections, there appear to be two wells, a caretaker's residence (trailer), a truck scale, a modular unit, mobile equipment and two bone yards on site. The cost estimate does not appear to reflect any of the costs for cleanup and removal of these structures and equipment.

In addition to cinders, there appears to be a storage area at the bottom of the pit for rip-rap sized and larger boulders. The cost estimate does not indicate the final disposition of these oversized boulders.

DISCUSSION: The SMGB is the acting lead agency for Sha-Neva, Inc.'s Plant #2 Site. Accordingly, the Board must determine if the proposed amount of financial assurance is adequate to reclaim the mine site according to the approved reclamation plan. The SMGB office was informed in late February that Sha-Neva, Inc.'s line of credit with US National Bank – that is, the financial assurance for Plant #2 -- would expire in late May 2000. At the time that Sha-Neva, Inc. required a response to the adequacy of its proposed financial assurance cost estimate, the SMGB was without a quorum and could not make that determination.

Consequently, the SMGB's Executive Officer informed Sha-Neva, Inc. that it should obtain a financial assurance instrument in the proposed amount of \$51,211 so that it could continue operations at the Plant #2 site. Sha-Neva was, also, informed that this financial instrument and the Board's proposed approval of it at its next meeting only may be conditional and could be subject to revision depending on the SMGB's findings on the adequacy of the amount.

EXECUTIVE OFFICER'S RECOMMENDATION: The proposed financial assurance cost estimate in the amount of \$51,211 has not been before a Board committee for a review of its adequacy prior to coming to the Board. This cost estimate, and other reclamation plan issues that may affect the cost estimate, are now before the SMGB's Joint Committee for consideration and future recommendations to the Board.

The Board was not able to act earlier on determining the adequacy of the operator-proposed amount because of a lack of a quorum. The immediacy of the expiration of current financial assurances for Plant #2 makes it imperative that new financial

assurances be in place if the operator is to continue its legitimate mining activities. Questions concerning the thoroughness of the cost estimate have been raised by the Department of Conservation's review.

In light of questions regarding the adequacy of the financial assurance cost estimate, and of the necessity of having financial assurances in place, the Executive Officer recommends that the Board:

(1) conditionally approve the proposed financial assurance in the amount of \$51,211 until such time as its committee can recommend a more adequate amount for the Board's consideration, and;

(2) that the Board set a date for its committee's recommendations to be received.